

**U.S. SENATOR BENJAMIN L. CARDIN**  
**FLOOR STATEMENT**  
**“PROTECTING AND STIMULATING HOME OWNERSHIP”**  
**WEDNESDAY, APRIL 2, 2008**

Mr. President, I thank my colleague from Illinois for his statements and leadership on this issue. I serve on the Judiciary Committee with him. I thank him for bringing forward this proposal. I think it is critically important to a large number of homeowners who find themselves in bankruptcy that they get the help the bankruptcy courts were designed to create. It was to take a look at the financial ability of the person going into bankruptcy, to take a look at their assets and to make a fair arrangement for the creditor and the debtor.

But the bankruptcy courts today cannot do that in regard to your primary residence. As my colleague points out, if it is your boat and you have a chattel mortgage on it, they can work that out. If it is your vacation home, they can make accommodations. But for your principal residence, they cannot do that. That makes no sense at all, and I thank my colleague for bringing this forward. I think it is a critical part of the legislation before us, and I look forward to supporting the effort to make sure that stays in the legislation.

Mr. President, 2 weeks ago I visited a Baltimore neighborhood, Ednor Gardens. That is near the Memorial Stadium, the old stadium where the Baltimore Orioles and Baltimore Colts played. It's in the neighborhood where I went to high school, Baltimore City High School. It's a middle-class neighborhood, but today there are vacant homes and a lot of "for sale" signs. The entire neighborhood is affected by our current housing crisis. Some are in danger of losing their homes. Obviously, that is the most dramatic impact all of us hear and we want to do something about. We do not want to see people lose their homes.

It was James Truslow Adams who first coined the term "the American Dream" in his book "The Epic of America" in 1931. He talked about the American Dream as the opportunity to achieve in this great Nation, that every family should have that opportunity. And one of the most visible signs of achievement in this country is to own your own home. It is devastating if you lose your home.

Many Americans are in danger of losing their homes today because of the housing crisis. It not only affects individual homeowners who could lose a home through foreclosure or the inability to pay the mortgage, but it affects every home in that neighborhood. There is a Chicago study that shows a single foreclosure – just one foreclosure in your neighborhood – will have the immediate impact of reducing your property value by about 1.5 percent or about \$3,000, on average. The U.S. Conference of Mayors pointed out that the current decline in home values across the Nation reflects a loss of value of over \$1.2 trillion, having a major impact on property tax revenues of local governments. Again, it's the whole community that is affected by the housing crisis, not just the individual homeowner who may lose his or her home.

If you happen to live in a home that you need to sell – if you move, there is a change of life and you need to deal with it by putting your house on the market; maybe you have a contract to buy another house and you plan to sell your house – the housing market is not good today. You are impacted by the housing crisis. It is hard to find people who are willing to buy a home. They are concerned about declining values. Everyone is affected by this housing crisis.

And home ownership is critically important to the safety of our neighborhoods. Study after study shows that where you have a large percentage of home ownership, you have better schools and you have less crime. That was actually documented in that Chicago study I referred to earlier, where they showed there was a direct relationship between foreclosures in a neighborhood and the increase of violent crime in a neighborhood.

I have heard many people say: Isn't this the problem of people who entered into mortgages they should not have entered into or bought homes they should not have bought or couldn't afford? In some cases, that is true. In many cases, it is not. But we have a responsibility to help and to do something that is positive for our economy and the housing crisis.

This situation is not isolated to one Baltimore neighborhood. Across Maryland, the foreclosures have increased. Since June, when Maryland ranked 40th in the Nation and we were fairly competitively, we have now jumped to 18th in the Nation in the number of foreclosures. There was a 39 percent increase in foreclosures in the last quarter in the State of Maryland.

The Mortgage Bankers Association tells us that nationally the third quarter of 2007 was not only a record for the number of foreclosures, but it was the highest ever recorded in the number of foreclosures in this country. Nationally, it is estimated that 2.2 million subprime mortgages, entered into between 1998 and 2006, are in jeopardy of foreclosure during the next 2 to 3 years, representing \$160 billion of potential loss of wealth. The National Realtors Association has told us that home sales have dropped for the sixth consecutive month. Home prices are down, and they say that between February 2008 and February 2007 we had a decline of 8 percent. Our economy is hurting. It is not just the homeowner.

Let me just give an example. Housing starts are down. New housing starts are clearly down. It is difficult to see investors moving forward building new residential homes when we have a glut on the market of existing homes. What does that mean? I was talking to some people who work at the General Motors light truck transmission facility located in White Marsh, MD. They are in danger of losing jobs because people who work in the building sector – building homes – use light trucks. They are not buying as many light trucks because the home building business is down. This is affecting jobs across Maryland and all other States.

The bottom line is that Congress needs to act. We need to act quickly. The Fed acted quickly to protect Wall Street. We have to act quickly to protect Main Street. There is a

lot of question as to whether the Fed did the right thing for Bear Stearns. They acted quickly. We have middle-class communities, middle-class families who are in danger of losing their homes if Congress does not act quickly. We need to act quickly to help middle-class families who are caught in this economic downturn.

I am proud to have cosponsored provisions included in this underlying bill we are talking about. It is a very important bill. It includes provisions that I believe will really help the people in our States.

First, it provides counseling services – \$200 million. We can help another half a million families get counseling.

One of the figures I find shocking is that people have just walked away from their mortgages for about half of the vacant homes we have today. They just walked away from their homes. They have not even tried to work out their financial problems. They have not sought counseling. They have not talked to the mortgage company. They have not made any effort to try to save their home. They think there is no possibility. In reality, there may be possibilities. We should be providing the wherewithal so that people who are in a distressed situation can get the counseling help they need.

When I had my gathering in the Baltimore neighborhood, there were representatives from the different counseling services that are available to the people of Baltimore – Healthy Neighborhoods, St. Ambrose Housing Aid Center. These are people who have found the number of people seeking help doubling and tripling since the middle of last year. They are being overwhelmed today by people seeking help. They need a Federal partner. They asked me specifically whether this part of the legislation can be enacted quickly. They need help to keep the centers open and to expand the centers to meet the growing demand.

Remember, I said half the people in trouble are not seeking counseling. If the number of people who could use counseling actually stepped forward, there would not be sufficient counselors available to handle this. That is why it is very important for the Federal Government to be a partner in providing adequate counseling, independent information to homeowners as to what their options may be.

The second provision of this bill allows for the refinancing of subprime mortgages by giving our local revenue authorities additional revenue bond help from the Federal Government – \$150 billion – so that they can be more actively involved. We know we have a credit crunch. Everybody knows that. You can't find mortgages today. You can't find ways of financing. This will help by using revenue bonding authority with very little cost to taxpayers. I say that because in many cases the local revenue bonding authority, operating under the State, will be able to go in and purchase a distressed mortgage at market value. Market value is less than its full value. The person who made the loan is going to get a fair value for their investment. It is going to be a lower value than they want, but it is a fair value.

We are not bailing out the investor. What we are doing is giving the homeowner an opportunity to have that mortgage refinanced through the state revenue bond authority at a fair amount, at a fair return, allowing that homeowner to stay in his or her home, protecting the home for the family – not protecting the investor, not protecting the person who made the loan, but protecting the homeowner. That is what we should be doing. That certainly is a tool I hope all of us will support, and we need to get that done quickly because of the credit crunch.

There is a lot of talk about whether individuals went into this with full knowledge of the problems. There have been a lot of people who have been victimized by the practices that are out there. There are many people who could have gone into traditional mortgages who went into subprime mortgages. It is particularly true in minority communities. Between 2005 and 2006, 50 percent of all the mortgages sold in the African-American community were subprime – 50 percent to African Americans; 40 percent to Latinos. My point is this: There were neighborhoods that were targeted for subprime mortgages that could have qualified for traditional mortgages. These individuals have been victimized. I think allowing our revenue bonding authorities – our local housing authorities – to be able to do more to restructure those mortgages is the right thing for Congress to do.

I hope we will provide block grant authority and give block grants to communities that have been impacted by foreclosures. As I said earlier, if you have a foreclosure in a community, the entire community is impacted by it. We need to do something to help. I was very impressed when I talked to people at St. Ambrose when they explained to me that when you have a foreclosed property, the house deteriorates and the neighborhood needs help. A Federal block grant to the community would allow it to get the foreclosed property back into the condition it needs to be so that new home buyers will want to purchase these houses. It's a very positive thing we can do to help communities.

The legislation that provides the relief from bankruptcy that my friend, Senator *Durbin*, talked about, is a provision I strongly support. I don't need to go through all the provisions he went through, but it is targeted to residential mortgages that are in bankruptcy. It is targeted to mortgages that are currently in existence, targeted to those who can financially afford a refinancing structure. It is targeted in that if there is a resale and money that comes in that would have the lender held harmless, the money goes first to the lender.

All this is targeted relief to provide some degree of equity in a mortgage proceeding between mortgages that are taken out for our vacation homes and our large boats and those that are for residential mortgages. As Senator *Durbin* pointed out, a bankruptcy judge can adjust the mortgages for your vacation home and your chattel mortgage on your boat but cannot, today, on your residential mortgage. That makes no sense at all, and we should certainly include that provision.

There are provisions in this bill provide better disclosure so that in the future homeowners will have much more information before they enter into a mortgage.

I wish to refer to another provision that I intend to offer as an amendment to the underlying legislation when we get an opportunity. It would provide a tax credit for first-time home buyers. I think we need to do something to stimulate the housing market by encouraging more people to buy a home. Senator *Durbin* pointed out that today there are people reluctant to buy a home because they are worried that the value may decline. If we give a tax credit – put money on the table -- I think it is much more likely that individuals will want to move forward with a purchase.

A tax credit to spur home ownership will help stimulate the economy with the exact sector that triggered our current economic downturn. Today it's estimated that 40% of the market is first-time home buyers. In Baltimore, two-thirds are first-time home buyers. Let's re-energize the market and help families buy a home.

The legislation that I am going to propose is going to be targeted; it is going to be for principal residences only. I think that is what we should do. And it will be targeted to middle class. We will have an income cap so it goes to those who need the help.

It will be first-time home buyers. Today, it is estimated that 40 percent of our market is first-time home buyers. In Baltimore City, we know about two-thirds are first-time home buyers. So it would target the part of the market that needs the most help – the segment that we need to get back into the market. And my provision would be temporary. It will have an expiration date because we want people moving now, going back into the market now.

This is not a new concept. It has been used in the Nation's capital. We provided a tax credit that has helped 3,000 to 4,000 home buyers a year. I think it was a good policy for the Nation's capital. I think it is a good policy now for our country on a temporary basis. I do acknowledge there are several of my colleagues who are interested in this legislation who have a slightly different approach. I hope we can come together, as Senator *Stabenow* has been interested in a housing credit for many years. Senator *Isakson* has come forward with his proposals.

I hope we all will be able to work together to bring forward a tax credit proposal that can help stimulate our economy. We need to act now. Two months ago, in a bipartisan action in this body, we passed the economic stimulus package. We did it quickly. That is what we needed to do. Well, we need to show the same commitment on the housing crisis. We need to work in a bipartisan manner to help middle-class families save their homes and to help our economy.

I urge my colleagues to take up quickly this legislation. Let's consider the amendments. Let's move forward. There are too many homeowners in our States who are depending upon us to act quickly for us to delay.  
I yield the floor.